



U.S.-KOREA TRADE AGREEMENT

Virginia Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Virginia agricultural products, including poultry, beef, and dairy. Virginia's agricultural exports to all countries, estimated at \$718 million in 2009, supported about 5,800 jobs both on and off the farm. These export sales make an important contribution to the Virginia farm economy, which had total cash receipts of \$2.6 billion in 2009.

Poultry Products. With farm cash receipts of \$550 million in 2009, broilers are Virginia's leading agricultural industry accounting for 21 percent of total farm earnings. Turkey production accounted for another 8 percent with cash receipts of \$215 million. Among the KORUS agreement's benefits to Virginia's poultry producers and processors:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Cattle and Beef. Cattle and beef represent the second largest source of farm cash receipts with earnings of \$288 million in 2009.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Dairy Products. The dairy industry is the state's third largest source of farm cash receipts, earning \$264 million in 2009. Under the KORUS agreement:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Vegetables and Vegetable Products. The vegetable industry is important to Virginia farmers, with tomato cash receipts of \$63 million in 2009. Under the KORUS agreement:

- Tariffs on canned and processed tomatoes will become duty free immediately.

Soybeans and Products. Virginia soybean producers had cash receipts of \$184 million in 2009. The KORUS agreement will provide many benefits to the soybean industry.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Virginia to World
Poultry Products	\$4,849,921,604	\$31,600,000
Cattle and Beef	\$8,906,548,162	\$108,000,000
Dairy Products	\$2,335,300,000	\$1,600,000
Vegetables and Vegetable Products	\$5,279,075,013	\$18,000,000
Soybeans and Products	\$17,708,776,697	\$111,000,000
Agricultural Total	\$96,632,192,779	\$718,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.